

**Accounting Standard
Update**

**Revision on Accounting
Standards applicability
criteria for Classification
of Non-Company**



Revision on Accounting Standards Applicability Criteria for Classification of Non-company Entities [Applicable w.e.f 01.04.2020]

The Accounting Standards board of ICAI, at its 400th meeting, held on March 18-19,2021, has “**significantly simplified the accounting standards applicability criteria for Micro and small size non-company entities**”

The primary update to the applicability is the **introduction of a new category (Level IV)** which has been created for micro-enterprises and the ICAI has specified that certain complex accounting standards related to segment reporting, party transactions, and impairment of assets will not be applicable to them covered under the said category. As the Level-IV entities are those with annual turnover less than ₹10 crore and borrowings less than ₹2 crore, they will not be subjected to the adoption of these accounting standards

For the purpose of applicability of accounting standards, **non-company entities** have been classified into four categories—Level-I; Level-II; Level -III and Level -IV. Further the ICAI revised the turnover and borrowing limits for deciding the criteria for classification of non-company entities for the applicability of accounting standards.

Criteria for classification of Non-company Entities as decided by the ICAI

| Criteria/Level | Level I | Level II | Level III | Level IV |
|--|---------|----------|-----------|---|
| Listed or under the Process of Listing in the stock exchange of India or any other country | ✓ | ✗ | ✗ | Non-company entities which are not covered under Level I, Level II and |
| Banks (including cooperative banks), Financial Institutes or entities carrying on Insurance Business | ✓ | ✗ | ✗ | |

| | | | | |
|--|-------------|----------------------------|---------------------------|--|
| Turnover (Excluding Other Income) * | > 250 Crore | > 50 Crore but < 250 Crore | > 10 Crore but < 50 Crore | Level III are considered as Level IV entities |
| Borrowings (Including Public Deposits) ** | > 50 Crore | > 10 Crore but < 50 Crore | > 2 Crore but < 10 Crore | |
| Holding & Subsidiaries of any of the above entities | ✓ | ✓ | ✓ | |

“This Announcement supersedes the earlier Announcement of the ICAI on ‘Harmonisation of various differences between the Accounting Standards issued by the ICAI and the Accounting Standards notified by the Central Government’ issued in February 2008, to the extent it prescribes the criteria for classification of Non-company entities (Non-corporate entities) and applicability of Accounting Standards to non-company entities, and the Announcement ‘Revision in the criteria for classifying Level II non-corporate entities’ issued in January 2013.”

Further, the Announcement is not relevant for Non-company entities who may be required to follow Ind AS as per relevant regulatory requirements applicable to such entities.

The ICAI also revised the turnover and borrowing limits for deciding the criteria for classification of non-company entities for the applicability of accounting standards. This follows the government’s revision of the definition of MSME last year. In tune with the changed MSME definition, the ICAI has also changed the turnover and borrowing limits in deciding the categories of non-corporate entities under the four categories—Level-I; Level-II; Level -III and Level-IV the criteria for which have been explained below: -

Criteria for classification of Non-company Entities as decided by the ICAI

| Criteria/Level | Level I | Level II | Level III | Level IV |
|---|----------------|-----------------|------------------|---------------------------------------|
| Listed or under the Process of Listing in the stock exchange of India or any other country | ✓ | ✗ | ✗ | Non-company entities which are |

| | | | | |
|---|-------------|----------------------------|---------------------------|--|
| Banks (including cooperative banks), Financial Institutes or entities carrying on Insurance Business | ✓ | ✗ | ✗ | not covered under Level I, Level II and Level III are considered as Level IV entities |
| Turnover (Excluding Other Income)* | > 250 Crore | > 50 Crore but < 250 Crore | > 10 Crore but < 50 Crore | |
| Borrowings (Including Public Deposits) ** | > 50 Crore | > 10 Crore but < 50 Crore | > 2 Crore but < 10 Crore | |
| Holding & Subsidiaries of any of the above entities | ✓ | ✓ | ✓ | |

* in the preceding accounting year

** at any time during the immediately preceding accounting year.

Applicability of the Accounting Standards to Level 1 Non- company entities

Level I entities are required to comply in full with all the Accounting Standards.

Applicability of the Accounting Standards and Exemptions/relaxations for Level II, Level III and Level IV Non-company entities

| AS | Level II Entities | Level III Entities | Level IV Entities |
|-------------|--------------------------|---------------------------|--------------------------|
| AS 1 | Applicable | Applicable | Applicable |
| AS 2 | Applicable | Applicable | Applicable |
| AS 3 | Not Applicable | Not Applicable | Not Applicable |
| AS 4 | Applicable | Applicable | Applicable |
| AS 5 | Applicable | Applicable | Applicable |
| AS 7 | Applicable | Applicable | Applicable |
| AS 9 | Applicable | Applicable | Applicable |

| AS | Level II Entities | Level III Entities | Level IV Entities |
|-------|---------------------------------------|---------------------------------------|--|
| AS 10 | Applicable | Applicable with Disclosures Exemption | Applicable with Disclosures Exemption |
| AS 11 | Applicable | Applicable with Disclosures Exemption | Applicable with Disclosures Exemption |
| AS 12 | Applicable | Applicable | Applicable |
| AS 13 | Applicable | Applicable | Applicable With Disclosures Exemption |
| AS 14 | Applicable | Applicable | Not Applicable |
| AS 15 | Applicable with Exemptions | Applicable with Exemptions | Applicable with Exemptions |
| AS 16 | Applicable | Applicable | Applicable |
| AS 17 | Not Applicable | Not Applicable | Not Applicable |
| AS 18 | Applicable | Not Applicable | Not Applicable |
| AS 19 | Applicable with Disclosures Exemption | Applicable with Disclosures Exemption | Applicable with Disclosures Exemption |
| AS 20 | Not Applicable | Not Applicable | Not Applicable |
| AS 21 | Not Applicable | Not Applicable | Not Applicable |
| AS 22 | Applicable | Applicable | Applicable Only for Current Tax Related Provisions |
| AS 23 | Not Applicable | Not Applicable | Not Applicable |
| AS 24 | Applicable | Not Applicable | Not Applicable |
| AS 25 | Not Applicable | Not Applicable | Not Applicable |
| AS 26 | Applicable | Applicable | Applicable with Disclosures Exemption |
| AS 27 | Not Applicable | Not Applicable | Not Applicable |
| AS 28 | Applicable with Disclosures Exemption | Applicable with Disclosures Exemption | Not Applicable |
| AS 29 | Applicable with Disclosures Exemption | Applicable with Disclosures Exemption | Applicable with Disclosures Exemption |

For more details, refer ICAI Announcement

<https://resource.cdn.icai.org/64269asb51535.pdf>

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